Government of Canada / Gouvernement du Canada

Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

October 2016: budgetary deficit of $1.5 billion

There was a budgetary deficit of $1.5 billion in October 2016, compared to a deficit of $0.9 billion in October 2015. Revenues increased by $2.5 billion, or 11.3 per cent, reflecting increases in all major revenue streams. Program expenses increased by $3.1 billion, or 15.0 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges decreased by $0.1 billion, or 3.1 per cent.

April to October 2016: budgetary deficit of $9.3 billion

For the April to October 2016 period of the 2016–17 fiscal year, the Government posted a budgetary deficit of $9.3 billion, compared to a surplus of $0.6 billion reported in the same period of 2015–16. Revenues were up $0.6 billion, or 0.4 per cent, as increases in income tax revenues and Employment Insurance (EI) premium revenues were partially offset by decreases in other revenues and excise taxes and duties. Program expenses were up $12.0 billion, or 8.2 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $1.4 billion, or 8.9 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

October 2016

There was a budgetary deficit of $1.5 billion in October 2016, compared to a deficit of $0.9 billion in October 2015.

Revenues in October 2016 totalled $24.5 billion, up $2.5 billion, or 11.3 per cent, from October 2015.

- Personal income tax revenues were up $0.8 billion, or 7.6 per cent.
- Corporate income tax revenues were up $0.5 billion, or 16.0 per cent.
- Non-resident income tax revenues were up $0.3 billion, or 95.2 per cent.
- Excise taxes and duties were up $0.6 billion, or 14.1 per cent, largely due to a $0.6-billion increase in Goods and Services Tax (GST) revenues. Customs import duties and energy taxes increased by $5 million and $1 million, respectively, while other excise taxes and duties decreased by $21 million.
- EI premium revenues were up $18 million, or 1.5 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were up $0.2 billion, or 9.7 per cent.

Program expenses in October 2016 were $24.0 billion, up $3.1 billion, or 15.0 per cent, from October 2015.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $1.0 billion, or 15.4 per cent. Elderly benefits increased by $0.3 billion, or 6.9 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.3 billion, or 25.1 per cent. Children's benefits increased by $0.4 billion, or 29.2 per cent, reflecting the new Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal

arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.4 billion, or 6.4 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.

- Direct program expenses include transfer payments to individuals and other organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up $1.8 billion, or 20.1 per cent. Within direct program expenses:
  - Transfer payments increased by $1.2 billion, or 46.6 per cent, reflecting increases across several departments, including claims expenses, social housing assistance and infrastructure transfers.
  - Other direct program expenses increased by $0.6 billion, or 9.5 per cent, due in large part to an increase in pension and other future benefit expenses based on the Government's latest actuarial valuations, as well as an increase in operating expenses of Crown corporations.

Public debt charges were down $0.1 billion, or 3.1 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

April to October 2016

For the April to October 2016 period of the 2016–17 fiscal year, there was a budgetary deficit of $9.3 billion, compared to a surplus of $0.6 billion reported during the same period of 2015–16.

Revenues increased by $0.6 billion, or 0.4 per cent, to $163.9 billion.

- Personal income tax revenues were up $1.3 billion, or 1.7 per cent.
- Corporate income tax revenues were up $0.4 billion, or 1.7 per cent.
- Non-resident income tax revenues were up $0.1 billion, or 1.8 per cent.
- Excise taxes and duties were down $0.1 billion, or 0.4 per cent. Energy taxes and other excise taxes and duties were each down $0.1 billion, while customs import duties were down $9 million. These decreases were partially offset by a $0.1-billion, or 0.4-per-cent, increase in GST revenues.
- EI premium revenues were up $0.2 billion, or 1.6 per cent, reflecting growth in earnings.
- Other revenues were down $1.2 billion, or 6.7 per cent. This decline largely reflects the $2.1-billion gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015, offset in part by growth in other components in the current year, including interest and penalties revenues.

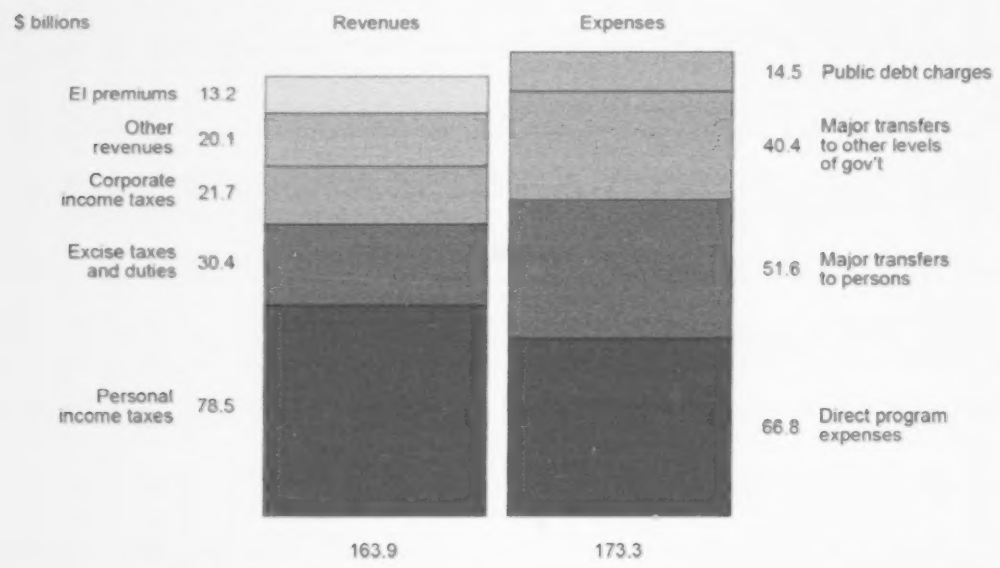
For the April to October 2016 period, program expenses were $158.8 billion, up $12.0 billion, or 8.2 per cent, from the same period the previous year.

- Major transfers to persons were up $4.2 billion, or 9.0 per cent. Elderly benefits increased by $1.5 billion, or 5.6 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $1.0 billion, or 9.1 per cent. Children's benefits were up $1.8 billion, or 17.4 per cent, largely reflecting the new Canada Child Benefit.
- Major transfers to other levels of government were up $1.9 billion, or 4.9 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $5.8 billion, or 9.6 per cent. Within direct program expenses:

- Transfer payments increased by $2.7 billion, or 15.8 per cent, reflecting increases across several departments, including the accrual of liabilities for disaster assistance and claims expenses, as well as social housing assistance and infrastructure transfers.
- Other direct program expenses increased by $3.1 billion, or 7.1 per cent, due in large part to an increase in pension and other future benefit expenses based on the Government's latest actuarial valuations, as well as an increase in operating expenses of Crown corporations.

Public debt charges decreased by $1.4 billion, or 8.9 per cent, reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April to October 2016)



Note: Totals may not add due to rounding.

Financial requirement of $22.3 billion for April to October 2016

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $9.3 billion and a requirement of $13.0 billion from non-budgetary transactions, there was a financial requirement of $22.3 billion for the April to October 2016 period, compared to a financial requirement of $15.2 billion for the same period the previous year.

Net financing activities up $27.8 billion

The Government financed this financial requirement of $22.3 billion and increased cash balances by $5.4 billion by increasing unmatured debt by $27.8 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds and treasury bills.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of October 2016 stood at $43.3 billion, up $2.7 billion from their level at the end of October 2015.

Table 1
Summary statement of transactions
$ millions

	October		April to October	
	2015	**2016**	**2015–16**	**2016–17**
Budgetary transactions				
Revenues	21,994	24,475	163,330	163,921
Expenses				
Program expenses	-20,878	-24,012	-146,761	-158,750
Public debt charges	-2,056	-1,992	-15,934	-14,511
Budgetary balance (deficit/surplus)	-940	-1,529	635	-9,340
Non-budgetary transactions	1,028	-359	-15,820	-12,996
Financial source/requirement	88	-1,888	-15,185	-22,336
Net change in financing activities	2,087	3,603	27,829	27,758
Net change in cash balances	2,175	1,715	12,644	5,422
Cash balance at end of period			40,595	43,267

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	October			April to October		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,983	11,823	7.6	77,233	78,526	1.7
Corporate income tax	2,941	3,413	16.0	21,348	21,709	1.7
Non-resident income tax	353	689	95.2	3,437	3,500	1.8
Total income tax	14,277	15,925	11.5	102,018	103,735	1.7
Excise taxes and duties						
Goods and Services Tax	2,763	3,373	22.1	20,403	20,488	0.4
Energy taxes	489	490	0.2	3,334	3,242	-2.8
Customs import duties	464	469	1.1	3,190	3,181	-0.3
Other excise taxes and duties	510	489	-4.1	3,641	3,520	-3.3
Total excise taxes and duties	4,226	4,821	14.1	30,568	30,431	-0.4
Total tax revenues	18,503	20,746	12.1	132,586	134,166	1.2
Employment Insurance premiums	1,214	1,232	1.5	12,977	13,182	1.6
Other revenues	2,277	2,497	9.7	17,767	16,573	-6.7
Total revenues	21,994	24,475	11.3	163,330	163,921	0.4

Note: Totals may not add due to rounding.

Table 3
Expenses

	October			April to October		
	2015 ($ millions)	2016 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,817	4,079	6.9	26,235	27,694	5.6
Employment Insurance benefits	1,260	1,576	25.1	10,636	11,608	9.1
Children's benefits	1,493	1,929	29.2	10,457	12,274	17.4
Total	6,570	7,584	15.4	47,328	51,576	9.0
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,834	3,006	6.1	19,847	21,039	6.0
Canada Social Transfer	1,080	1,112	3.0	7,560	7,786	3.0
Total	3,914	4,118	5.2	27,407	28,825	5.2
Fiscal arrangements and other transfers	1,688	1,732	2.6	12,484	12,879	3.2
Canada's cities and communities	372	414	11.3	1,351	1,450	7.3
Quebec Abatement	-462	-398	-13.9	-2,770	-2,785	0.5
Total	5,512	5,866	6.4	38,472	40,369	4.9
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	62	77	24.2	605	448	-26.0
Employment and Social Development Canada	419	603	43.9	3,033	3,533	16.5
Global Affairs Canada	190	169	-11.1	1,452	1,452	0.0
Health Canada	180	191	6.1	1,773	1,903	7.3
Indigenous and Northern Affairs Canada	670	1,254	87.2	3,775	4,761	26.1

Innovation, Science and Economic Development Canada	222	471	112.2	1,383	1,760	27.3
Other	772	921	19.3	5,293	6,197	17.1
Total	2,515	3,686	46.6	17,314	20,054	15.8
Other direct program expenses						
Crown corporations	659	761	15.5	4,733	5,350	13.0
National Defence	1,954	2,046	4.7	12,728	13,609	6.9
All other departments and agencies	3,668	4,069	10.9	26,186	27,792	6.1
Total other direct program expenses	6,281	6,876	9.5	43,647	46,751	7.1
Total direct program expenses	8,796	10,562	20.1	60,961	66,805	9.6
Total program expenses	20,878	24,012	15.0	146,761	158,750	8.2
Public debt charges	2,056	1,992	-3.1	15,934	14,511	-8.9
Total expenses	22,934	26,004	13.4	162,695	173,261	6.5

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	October		April to October	
	2015	2016	2015–16	2016–17
Budgetary balance (deficit/surplus)	-940	-1,529	635	-9,340
Non-budgetary transactions				
Capital investment activities	-507	-502	-2,310	-2,172
Other investing activities	746	-997	-3,775	-6,245
Pension and other accounts	308	641	2,879	4,129
Other activities				
Accounts payable, receivables, accruals and allowances	1,073	2,223	-9,755	-4,877
Foreign exchange activities	567	-2,073	-5,416	-6,108
Amortization of tangible capital assets	333	349	2,557	2,277
Total other activities	1,973	499	-12,614	-8,708
Total non-budgetary transactions	1,028	-359	-15,820	-12,996
Financial source/requirement	88	-1,888	-15,185	-22,336

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	October		April to October	
	2015	**2016**	**2015–16**	**2016–17**
Financial source/requirement	88	-1,888	-15,185	-22,336
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	10,371	11,196	15,510	20,261
Treasury bills	-6,800	-8,300	6,800	5,600
Retail debt	-19	40	-127	179
Total	3,552	2,936	22,183	26,040
Foreign currency borrowings	166	-112	3,103	699
Total	3,718	2,824	25,286	26,739
Cross-currency swap revaluation	-1,534	898	2,301	628
Unamortized discounts and premiums on market debt	-75	-99	370	547
Obligations related to capital leases and other unmatured debt	-22	-20	-128	-156
Net change in financing activities	2,087	3,603	27,829	27,758
Change in cash balance	2,175	1,715	12,644	5,422

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2016	October 31, 2016	Change
Liabilities			
Accounts payable and accrued liabilities	127,853	118,089	-9,764
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	504,068	524,329	20,261
Treasury bills	138,100	143,700	5,600
Retail debt	5,076	5,255	179
Subtotal	647,244	673,284	26,040
Payable in foreign currencies	22,482	23,181	699
Cross-currency swap revaluation	8,391	9,019	628
Unamortized discounts and premiums on market debt	5,047	5,594	547
Obligations related to capital leases and other unmatured debt	5,047	4,891	-156
Total unmatured debt	688,211	715,969	27,758
Pension and other liabilities			
Public sector pensions	152,227	151,720	-507
Other employee and veteran future benefits	85,681	90,184	4,503
Other liabilities	5,602	5,735	133
Total pension and other liabilities	243,510	247,639	4,129
Total interest-bearing debt	931,721	963,608	31,887

Total liabilities	1,059,574	1,081,697	22,123
Financial assets			
Cash and accounts receivable	154,688	155,223	535
Foreign exchange accounts	93,539	99,647	6,108
Loans, investments, and advances (net of allowances)[1]	115,957	120,989	5,032
Public sector pension assets	1,639	1,639	0
Total financial assets	365,823	377,498	11,675
Net debt	693,751	704,199	10,448
Non-financial assets	77,765	77,660	-105
Federal debt (accumulated deficit)	615,986	626,539	10,553

Note: Totals may not add due to rounding.

[1] October 31, 2016 amount includes $1.2 billion in other comprehensive losses from enterprise Crown corporations and other government business enterprises for the April to October 2016 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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